

# CalPERS Emerging and Diverse Manager Forum

December 3, 2012

Presenter:

**Thurman V. White, Jr.** | Chief Executive Officer

# A Snapshot View of Progress

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- Registered Investment Advisor founded in 1990
- \$7.5 billion in assets under management
- Independent, 100% employee-owned and MWBE-certified
- Exclusive business focus: Manager of Emerging Managers
- Offices in San Francisco and New York
- Assets managed in all long-only public market strategies; small hedge fund practice
- 68 managers currently funded on the platform representing 97 strategies
- Dedicated Manager Assistance Program (MAP) – assets, community, shared best practices

# Assets Under Management: \$7.5 Billion

As of September 30, 2012

## Public

California Public Employees' Retirement System  
 California State Teachers' Retirement System  
 County Employees' and Officers' Annuity & Benefit Fund of Cook County  
 Illinois Municipal Retirement Fund\*  
 Los Angeles City Employees' Retirement System  
 Maryland State Retirement and Pension System\*  
 Milwaukee County Employees' Retirement System  
 New York City Employees' Retirement System\*  
 New York City Board of Education Retirement System  
 New York City Fire Department Pension Fund  
 New York City Police Pension Fund  
 New York City Teachers' Retirement System  
 New York State Common Retirement Fund  
 New York State Teachers' Retirement Fund  
 Public School Teachers' Pension & Retirement Fund, Chicago  
 State of Connecticut Retirement Plans and Trust Funds\*  
 State Universities Retirement System of Illinois\*  
 Virginia Retirement System

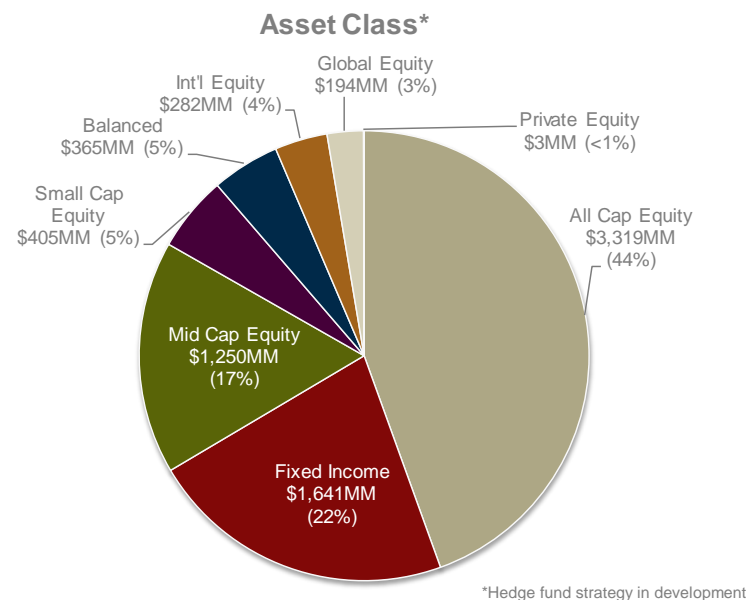
## Corporate

AON Corporation  
 Bank of America  
 CVS Caremark Corporation  
 The Boeing Company\*  
 The Coca-Cola Company  
 Ford Motor Company  
 General Electric Pension Trust\*  
 PPL Corporation

## Foundation/Endowments and Other

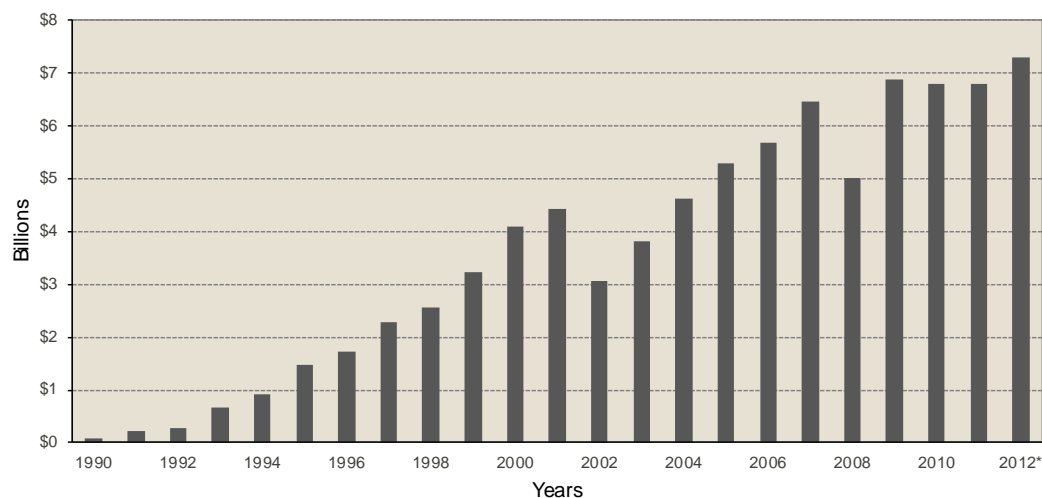
Board of Pensions, Evangelical Lutheran Church in America  
 The Boulé Foundation  
 Laborers' District Council Construction Industry Pension Fund  
 Massachusetts Bay Transportation Authority Retirement Fund\*  
 W.K. Kellogg Foundation

\* Multiple-Mandate Clients



## Asset Growth

\* YTD as of September 30, 2012



# The Progress/CalPERS Relationship

## History

- Selected as MDP Manager in April 2000 – Managed program until 2010 (Arrowstreet Capital was a Progress manager)
- Selected during Emerging Manager Fund-of-Funds search as part of a pool of potential service providers
- Awarded U.S. equity small cap mandate in July 2010 with initial allocation of \$100 million (performance inception date of September 1, 2010). Current market value \$146 million

## Current Objective

- Identify, select and evaluate emerging investment managers with strong potential to generate excess returns
- Firms/Strategies with less than \$2 billion in AUM at time of hire
- Focus on newer Progress managers (ideas, firms or strategies)
- **Performance:** Since Inception (+353 bps) as of October 31, 2012

## Current Roster of Managers

  
**RIVERBRIDGE PARTNERS®**  
**OMTCapital**



 Channing Capital Management <sup>LLC</sup>

**Nichols Asset Management, LLC**

**HUBER CAPITAL MANAGEMENT**

# How We Define an Emerging Manager

## Minimum Criteria

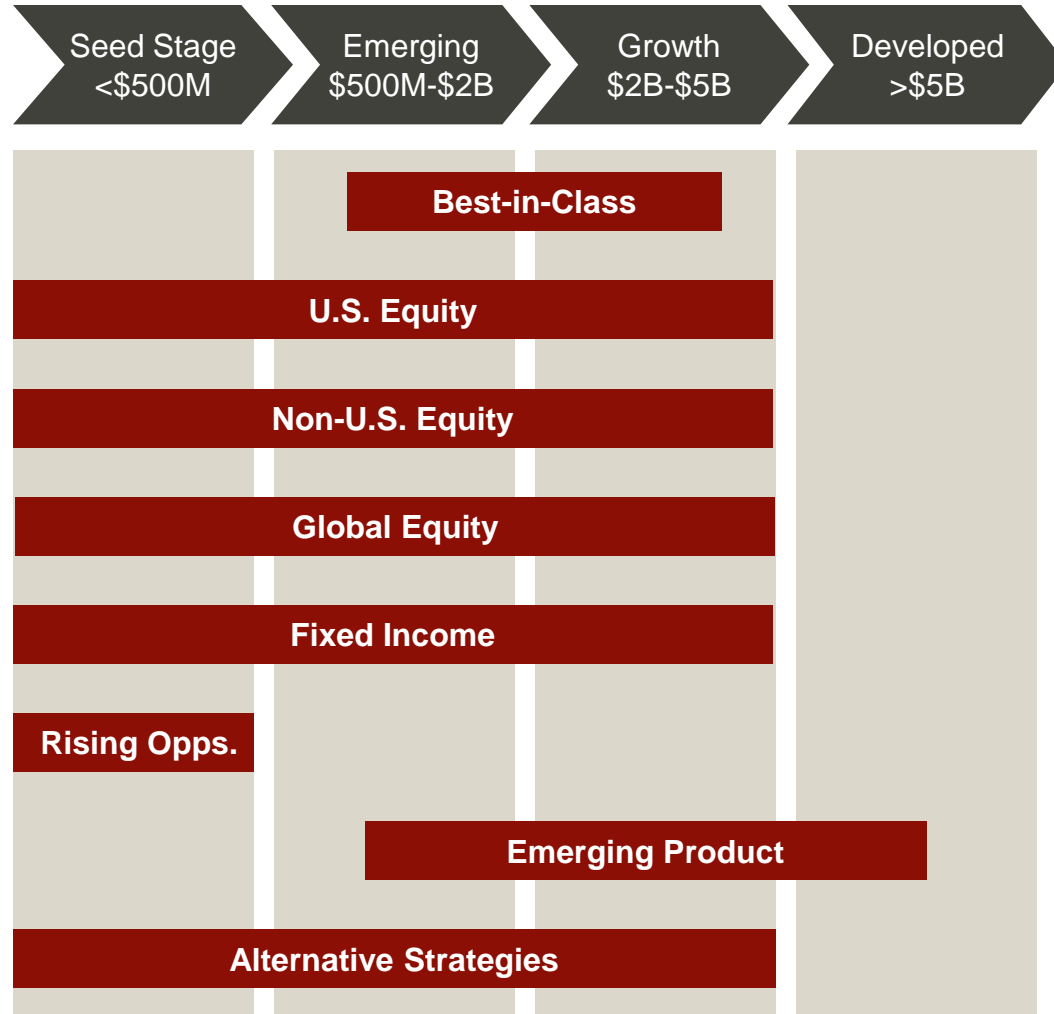
- All stages of firm development
  - seed, emerging, growth, developed
  - new firm formations, established, as well as turn around situations
- Independent (at least 51%), employee-owned RIAs (SEC and State)
- No minimum AUM; <\$2 billion at time of hire

## Exceptions

- Higher AUM levels for fixed income and Non-U.S. managers
- All women and minority owned firms, regardless of AUM
- Specific client exceptions

## Sourcing Drivers

- New client mandates and rebalancing activity
- Add bench strength
- Graduations
- Termination
- Emerging products



## Strategy Options

### Equities

- All Cap Domestic Equity
- Mid Cap Domestic Equity
- Small Cap Domestic Equity
- Non-U.S. All Cap Equity
- Global Equity

### Fixed Income

- Domestic Core and Core Plus Fixed-Income
- High Yield
- Convertibles
- Emerging Market Debt
- TIPS (Global, U.S.)

### Multi-asset Class

- Best-in-Class
- Rising Opportunities
- Emerging Hedge Fund-of-Funds

### In Development

- Emerging Products – Product offering extensions
- Emerging Opportunities Fund

## Our Sourcing Priorities

### Current Priorities For the Progress Manager Platform Generally

- Fixed Income/High Yield Managers
- Emerging Markets and Global Equity Managers
- Latino-owned Firms (all strategies)
- Connecticut-based Managers
- Large Cap Growth and Core Managers
- Mid Cap Value Managers
- Small Cap Growth and Value Managers
- Firms seeking seed and expansion capital

# How We Source Managers

- Proprietary database of 2,006 Emerging Manager products\*
- Systematic prospecting: Progress seeks out managers
- The magnet effect: Managers seek out Progress
- Active referral network: Welcome and encourage referrals from clients and managers
- Active research to identify managers not found in other databases
  - Hedge Fund Managers
  - Prime Brokers
  - Executive Search Firms
  - Private Equity Firms
  - Financial Intermediaries
- Complement research by screening external databases across all asset classes
- Advertise and attend industry conferences

## **To assess a manager's abilities we evaluate their**

- Process
- Performance
- People
- Organization

\*Source: Progress Database

# Manager Success Stories

Progress has funded over 125 emerging managers nationwide in the firm's 22-year history.

In that time we have played a role in many manager successes, including:

- Graduations
- Incubations
- AUM Growth
- Manager Assistance

 **The Edgar Lomax Company**

  
**Winslow Capital**

 **ARROWSTREET CAPITAL, L.P.**

**BENNETT LAWRENCE**  
 **MANAGEMENT, LLC**

**DARUMA**

**EARNEST PARTNERS**

 **Steinberg Asset Management Company, LLC**

**TAPLIN CANADA**

 **AMBASSADOR**  
CAPITAL MANAGEMENT  
Fixed Income Investment Advisors

**Shapiro Capital  
Management**

 **ATIVO**  
CAPITAL

 **FULLER & THALER**  
ASSET MANAGEMENT, INC.

 **PIEDMONT**  
INVESTMENT  
ADVISORS, LLC

**LOMBARDIA**  
CAPITAL  
**PARTNERS**

 **SCHNEIDER CAPITAL MANAGEMENT**

 **ARIEL** ARIEL CAPITAL MANAGEMENT, LLC  
ARIEL MUTUAL FUNDS

  
**Cardinal Capital**  
MANAGEMENT, L.L.C.

**AFFINITY**  
INVESTMENT ADVISORS

  
**BROWN CAPITAL MANAGEMENT**

 **ADVENT**  
CAPITAL MANAGEMENT

**NEWCENTURY**  
RETHINKING FIXED INCOME  
ADVISORS

**HERNDON CAPITAL**  
Management

**NCM CAPITAL**  
MANAGEMENT GROUP, INC.

 **Sasco Capital, Inc.**  
CONTRARIAN VALUE INVESTING

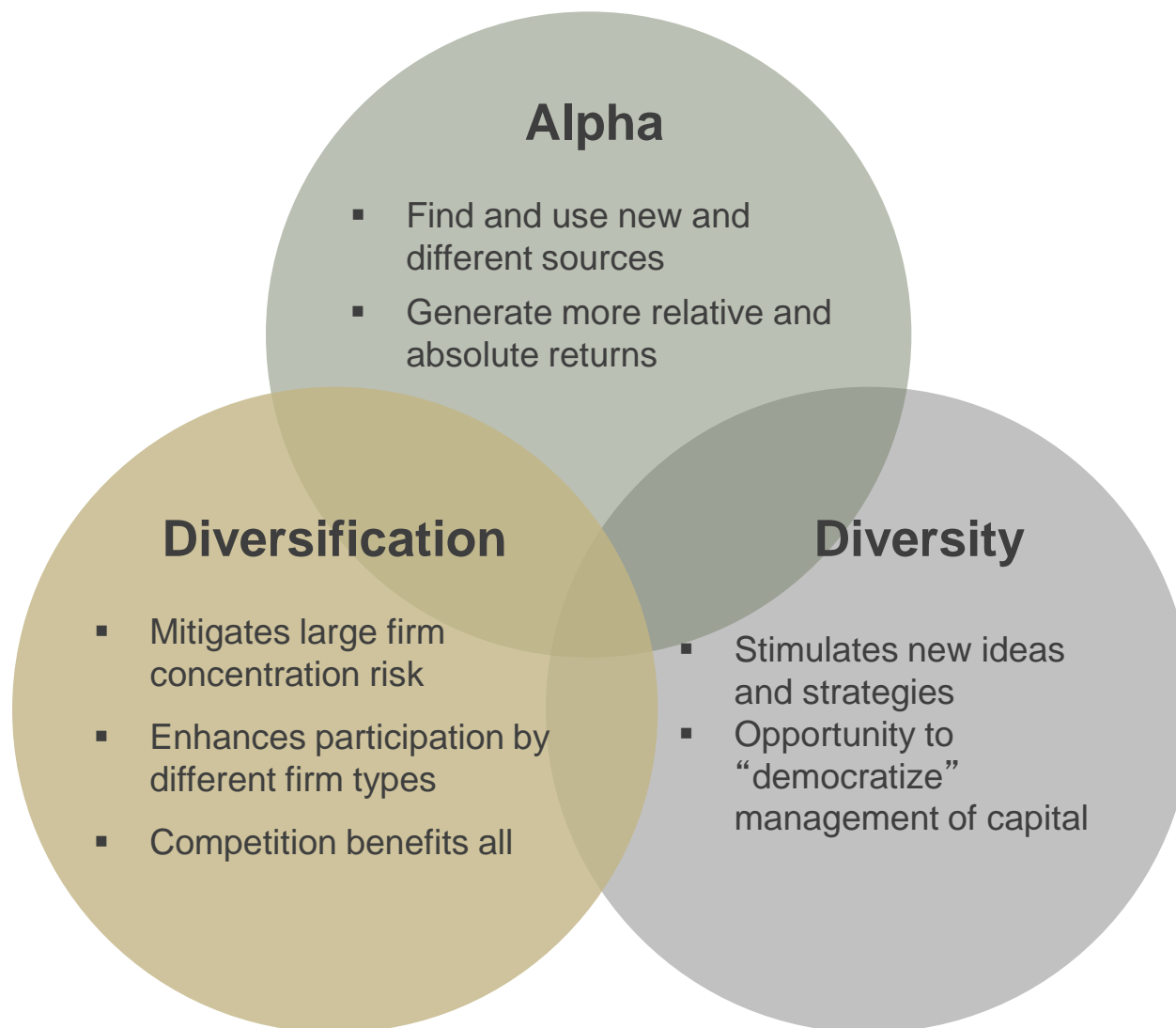


**GLOBEFLEX**

**PENN**  
CAPITAL MANAGEMENT

**L M CAPITAL**  
GROUP, LLC  
Global Bond Management





# Getting Started

**Progress website**  
www.progressinvestment.com

**Quick Link** “For Prospective Managers”

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